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True free trade

Cincinnati, Ohio

1913

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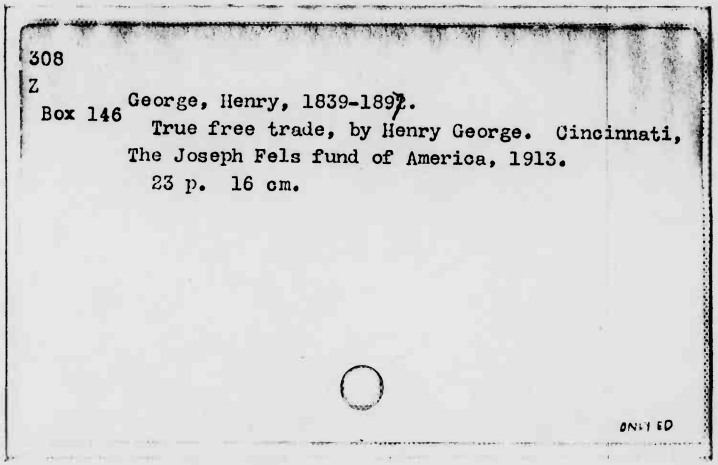

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True Free Trade

By Henry George

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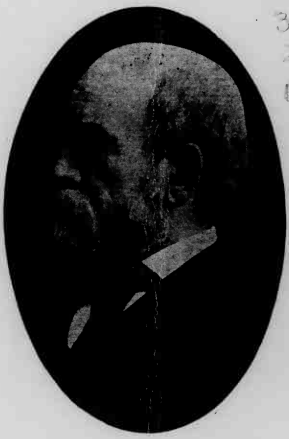

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Cincinnati, Ohio

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Is a Revolt Brewing?
Why "Mary Konovsky" is Robbed.

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BY

HENRY GEORGE

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True Free Trade

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FOREWORD

During the International Exhibition held in Paris in 1889, Henry George came to France and presided over a Congress which had been convened in order to discuss the land problem. He on that occasion delivered a speech which must be termed in every respect remarkable, and which is an eloquent summing up of the views of his mature years on the great question of Free Trade. The full text of that speech has never before been published except in French. Mr. Georges Darien, editor of the "Revue de l' Impot Unique," has recently reprinted it in pamphlet form. But as, owing to important events—mainly the great struggle against Protection just begun in the United States of America—Henry George's ideas rouse a renewed interest, it has been deemed advisable to have the speech re-translated into the original English. The task has been performed by Mrs. G. Darien, who unsparingly helps her husband in his propaganda. In a covering letter to us enclosing the transcript Mr. Darien says:—"It ranks above the best things Henry George has ever said on the subject; it is even more lofty in tone than anything he had written before."

TRUE FREE TRADE

Gentlemen:—First of all I desire to allude shortly to the good relations which have always existed between the French and the Americans. Your fathers helped ours to win their independence and now after a century, we come together again to raise aloft the flag which your illustrious Physiocrats—Quesney, Turgot, Du Pont de Nemours, and others—had hoisted so boldly. For a hundred years this flag has systematically been kept out of sight; but ideas that are just cannot remain forever buried deep in oblivion; a time comes when necessity recalls them and definitely gives them the right of entry. Since 1789, political and economic reaction has blotted out even the memory of the theories of equality which were invoked to regenerate the old aristocratic society, from top to bottom, and people have come to consider the philosophy of the Physiocrats a mere historical incident fit only for a museum of antiquities. And yet they were right who pointed out that the land is the source, the universal source, of all production, and that, in that capacity, it should be called upon to provide for all the needs of the public exchequer.

People could not grasp this. No doubt the soil had not been sufficiently prepared. They had not gone through the sinister capitalist and industrial experiences which our generation has had to contemplate in

all their excesses; the return of evils and miseries greater even than those of the ancient regime was needed to cause a fresh inquiry as to their real origin. We resume to-day the interrupted task, we return to the abiding question of land and taxation whose supreme importance the Physiocrats had recognized. But this time we shall carry the fight to a finish.

The questions of land and taxation are for us but the externals of social reform. What we at bottom desire is universal equality, justice for all—real brotherhood between all peoples. We wish to abolish all the barriers raised by despotism between the members of the great human family.

Among these barriers there is one in particular to which I would draw your attention, because in the first place it separates people as much as, nay more than, political prejudices and differences of language; and, secondly, because it has a very direct bearing on the question of land and taxation which we have been considering at this congress. I refer to the tariff and to Free Trade. Upon this question I cannot admit that anyone can maintain an attitude of indifference. There are too many interests involved in all that has to do with tariffs, foreign competition, and foreign trade, to fail to arouse particular attention. It is absolutely necessary to take sides. We can do so the more easily, we upholders of the Single Tax, since we are armed with a solution of the problem not only complete and

definite, but reassuring even to our opponents.

What do we land and tax reformers want? Is it the extension of foreign trade as it at present operates and expands? By no means. We are very well aware that commerce, that is to say the circulation of the products of labor, is absolutely determined by the law of the distribution of wealth, and cannot but conform to that law. Now the distribution of wealth being at present just as unequal and as unfair as the distribution of property in land, the circulation of wealth too can only be unequal and iniquitous—present day commerce must be as tyrannous and despotic as distribution.

We wish then to reform and equalize commerce itself, external as well as internal, not directly for that is impossible, but by reforming the basis of the distribution of wealth through reform of taxation and land tenure. Circulation depends on distribution. To set right taxation of land is to set right commerce. At present the laws of commerce are as false as the laws of distribution. Those who would reform the laws of commerce before reforming the laws of distribution are like those who would change the course of the water without changing the bed of the river. Commerce can only bring wealth to those who are destined by those fundamental laws of distribution to receive it; it cannot bring wealth to slaves and to a proletariat deprived of their natural rights. When property

in land is assured to all, and each man is master and owner of the whole fruit of his toil, then commerce will be the servant of each and all in place of being the instrument of the fortune of a privileged few. What we want is not only free trade but equal trade. But we shall only have equality in trading if we attain to equality in the distribution of wealth, to equality in the distribution of property and of taxation. True Free Trade can only exist in conjunction with equality in trading; the principle of equality should go, if not before, at least together with the principle of freedom. But the fundamental equality being equality in land and in taxation, it is only by this equality that we can arrive at true Free Trade.

Equality in trade can only exist between men who are equals. Under the reign of inequality in land and taxation that we are subject to to-day, commerce is not always the realization of an exchange, but more often the exaction of a tribute. When Rome was mistress of the world, she imported from Sicily, Spain, Africa, Egypt, and other subject countries much more than she exported. All war indemnities give rise to a movement in trade which manifests itself on the side of the conquered in exports alone, and on the side of the conquerors in imports, followed by no return. Trade, in this case, is merely the means of levying a tribute. England imports from India and from all her distant possessions

considerable quantities of goods that she does not make good by exports. In the same way owners of land in foreign parts import rents, fees, and revenues without exporting anything in exchange. Ireland exports each year great quantities of produce in payment of tribute extorted by the landlords living in England

All capital invested abroad, whether in land or Government stocks, whether in shares or debentures in railways, mines, canals, mills, or factories, gives rise to considerable imports for the benefit of the creditor countries and to exportation at the expense of the debtor countries, without any equivalent return. This is not exchange, still less is it freedom; it is purely tribute and indebtedness. In the United States we have vast domains belonging to foreign owners, especially Englishmen, who let them out in small farms. The rents of our farmers are expressed in exports not followed by imports. Moreover, an enormous amount of foreign capital has been invested in our great enterprises: we have to pay for all that in exports with no return.

It is true that we also have capital invested abroad, and that our compatriots possess land in other countries; our capitalists and our proprietors therefore set up a movement in the direction of imports unaccompanied by exports. These imports are balanced by the exports of our farmers and borrowers; but the balance is not evidence of an exchange, since those who

import are not the same as those who export. Our exporting is done by debtors and our importing by creditors; there is an equilibrium, but not exchange and compensation. One pocket is emptied, the other is filled. Such is the balance of trade.

In home trade it is the same Our great owners of estates, of farms, of mines, and railways live in towns where they import their rents without exporting anything to the villages and the exploited countryside. Our farmers, tenants, borrowers, and our workers of all kinds export their goods in payment of what they owe without importing anything. None of these imports and exports in the interior of the country, from province to province, or from the countryside to the great cities represents an exchange, but rather a tribute. Such is commerce at the present time.

We have quite a different conception of commerce and Free Trade. What our orthodox economists call Free Trade is for the most part commerce from which exchange and freedom are absent. The starving man who finds himself obliged to give a day's work for a piece of bread is not free to do otherwise, the exchange which he makes is forced upon him, the employer getting the lion's share. The owner of land who collects his rents and dues does not effect an exchange; he levies a tribute just as the Turks levied tribute after their conquests. All the millions collected each year under a thousand different pretexts

from labor by militarism, capitalism, and landlordism, represent imports and exports which are in no sense exchanges or the acts of free men. To call them Free Trade, as is done to-day, is a bare-faced abuse of language.

Where there is tribute, there is neither exchange nor freedom, and therefore there can be no Free Trade. So long as the tribute of rent exists so long will this pretended Free Trade be nothing but a sham. To establish Free Trade it is necessary to begin by destroying tribute at its roots by taking the rent of land for the benefit of the community by means of the Single Tax, in the way I have elsewhere described. Not until rent tribute, the father of all commercial and iudustrial tributes, of all the tributes levied by capitalism and even by militarism, has been abolished can one speak of freedom of exchange and of equality.

No doubt it will be asked what will become of trade in general and foreign trade in particular when it has been freed from all the tribute which feeds it so largely to-day. What will become of our imports and exports when they are limited to true exchanges? Will these exchanges increase sufficiently to take the place entirely of the vanished tribute? Let us see.

It is quite certain that the stopping of tribute will produce a great void in the world of commerce. At the fall of the Roman Empire, the stream of commerce

which then existed was abruptly stopped, and this stoppage was followed by a condition of general torpor which lasted for centuries. Will not the same happen when our great industrial nations no longer draw tribute from their distant possessions, when our great towns and capitals have lost the tribute they draw from estates, from farms, and from all the exploitation of the countryside by which they live? Will not the great void which will then be produced throw back society into a torpor akin to death? What will become of civilization without that commerce which to-day constitutes its splendor? All these points must be carefully examined if we are to avoid misconceptions.

No doubt the fundamental reform effected by the communal collection of the rent of land will produce a complete upheaval in the general conditions of commerce, both national and international. The centers of production and of consumption being altered in position, the products will necessarily take quite a new direction. At the present time the great lines of commerce are directed towards parasites living upon tribute; it is particularly the big towns and capital cities that are the great centers of commerce, for there dwell the great estate owners, the jacks-in-office, the great capitalists, and all the class which lives at the expense of labor. But when, by the Single Tax on the value of land, the landowners are obliged to make use of and to live upon

their estates; when, in order to put the land to use, workers are called back to the countryside and gradually reinstated in possession of the land, then commerce will find openings in this direction, and will be deflected hither. Instead of flowing to the towns, the products will remain largely in the areas of production, and in any case will only go forth in exchange for equivalent products from elsewhere. Rural consumption will develop by reason of the increased purchasing power of the working-classes. The principal centers of business will be completely displaced; they will be in the country instead of being in the towns. The revolution will be as though an earthquake had displaced the inhabitants and their habitations.

The thing that is particularly reassuring about this reform is that, instead of being followed by a slackening of production and by a general impoverishment such as have followed all the great perturbations of history which have witnessed the annihilation of great empires, we shall have, on the contrary, a spontaneous outburst of activity and of work which will raise the production of wealth to the highest pitch. Thus there will be no diminution of trade, but merely displacement. Urban trade will lose what rural trade will gain; foreign trade will diminish by as much as home trade will increase. Our markets will widen within, whilst they will narrow abroad; our supplies will multiply in the country and keep

out those from abroad. It is upon these points that we must lay stress.

In the first place it is quite certain that the effect of our land policy will be to improve considerably the economic position of the workers, and therefore to increase their power to purchase and to consume. Instead of having to seek abroad markets for their products, our cultivators and our manufacturers will find it possible to sell them on the spot to their now more prosperous fellow-countrymen. Our rural markets will enlarge to such a degree that our producers will always be assured of a market for their goods within the country, often even in their immediate neighborhood. They will no longer suffer from that "overproduction," which to-day is evidence of the diseased state of our society, the weakness of our working classes. They will easily succeed in disposing of their products among their fellow-countrymen. Now, this certainty of local markets will be a great stimulus to our agriculture and industry. Home trade will be in full activity, whilst export trade will diminish. The more we consume at home, the less we shall export.

The same will hold good for supplies. Instead of looking to importation for the supply of food-stuffs and raw materials which our agriculture can easily and cheaply extract from our own soil, we shall draw them from their source. The soil, being no longer locked up to labor, will yield us in abundance all its treasures. Production

at home will expand in all its branches, and will therefore repel foreign competition. Our products, being set free from all taxes and all tribute, will be obtained in larger quantities and at lower prices. All danger of foreign competition will disappear without any shackles upon commercial freedom and by the simple effect of true Free Trade. The imports, which, up till then, had with the tribute brought slack times, will cease, just as the exports without return, which exhaust our countries, will come to an end. The more our rural production expands, the less shall we import from abroad. "But," some will cry out in alarm, "this is barbarism! What! No more foreign trade? No more urban commerce? Everything for the country and the life of the locality? Each one by himself and for himself? But what becomes then of precious ideals, humanitarian and all embracing? Is everyone going to shut himself in his narrow and petty egoism, without a thought for the rest of the world? Shall we have evoked the great principle of universal solidarity and fraternity only to end up with the triumph of the driest and narrowest individualism?" Such is the objection fully stated. We have had the less need to attempt to minimize it since we consider it a phantom which will vanish at a breath.

In a study of the course of trade one must distinguish between two things—weight and value. These two elements do not

always go together. Imports and exports may diminish in weight, and increase in value, and vice-versa. In our modern states it is generally weight which is predominant. The weight often increases much more than the value. Every observer who will study attentively the course of foreign trade, will be struck by the extraordinary and ever growing importance of heavy merchandise and bulky goods. Each year, the imports and exports of the great nations amount to millions of tons. Yet all this displacement of matter is in no way necessary for the well-being of a civilization that is set on a right foundation. It is not in the weight of bodies that the true value lies, but in the ideas they enclose. One may even say that generally the value of the products of labor is in inverse ratio to their weight. There is generally more intelligence expended on small articles than on large. If this is so, commercial progress is not to be measured by the weight of the goods carried, but by their value. A nation had far better measure its prosperity by the growth of its postal, telegraphic, and telephonic communications, its trade in periodicals, books, works of art and science, fancy articles for industry and agriculture, specialties of all kinds created by artists and artisans, and lastly by the number of its travelers, than by the increase of its trade in heavy goods.

If, then, international trade in wheat and oats, in potatoes and fodder, in

vegetables and meat, in timber and liquor, and in all the other products that can be raised everywhere is found to diminish, as diminish it certainly will when the soil leaves the hands of the idle classes to be put to intensive cultivation, that will not be evidence of even a partial eclipse of civilization; there will always remain quite enough trade in exotic products which it is impossible or too difficult to acclimatize. As to the trade in industrial, artistic, literary, and purely intellectual products it will develop all the more seeing that these objects are of small bulk. The lighter the vehicles of thought and of labor, the more abundant will intellectual intercommunication be. The less baggage one has to carry, the easier and quicker the journey. If for one instant the soul could release itself from the body, the infinite would belong to it!

Thus we see that true Free Trade would not have the effect of developing all imports and exports indiscriminately, but only those that carry more of thought than of matter. Foreign trade might grow as to value; it would diminish as to weight.

Further, with absolute and complete Free Trade, commerce will rearrange itself unaided in accordance with the new needs created by the new distribution of property in land. It will be needless to map out its course; it will follow its bent as naturally as flowing water. If we are here forecasting the changes of direction in the great streams

of commerce, it is not with the least idea that the lawmaker should ever intervene, but solely because it is useful to foresee all the possible consequences of the proposed reforms. These consequences will necessarily be in strict conformity with economic laws, but it is expedient to show that the working of these laws will not be the same under the regime of equal rights in land as under the regime of land monopoly. Under the sway of land monopoly economic laws work under constraints; nothing is done freely, everything is forced. The law of supply and demand especially and the law of competition are dominated by landlord despotism. The same holds good of the much-talked of law of the division of labor. To-day the division of labor is as distorted as competition. For it is certain that the propertyless, the wage-earners, the farmers, are not free to distribute their labor according to their will, since they are not the masters of production. It is the monopoly of the soil which controls the law of the division labor --just as it controls the law of supply and demand—by letting the soil go to waste.

According to our orthodox economists the law of the division of labor will operate always as it has operated up to now; always it will go on developing with the progress of civilization. According to them the division of labor will be continued between nations as it has begun between the various branches of industry. One nation would

devote itself to agriculture—another only to manufacture. One would limit itself to works of art, another to intellectual and scientific pursuits. In one place nothing but stockings would be made, in another nothing but hats. And so on. There would even be areas given over to the vilest kinds of work, others to the most noble occupations. Such is the ideal dreamt of by the orthodox economists.

Ah, well! We must say that if such were the future held in store for mankind, we should have cause to lament the fate of our great-grandsons. Specialization under these conditions could produce nothing but idiots, reduced to contemplating perpetually the same idea and utter strangers to everything else, a state of things we can definitely point to to-day in the working-classes of our industrial world.

Doubtless, the division of labor is an economic force which cannot be dispensed with. But there is another economic force not less important and not less necessary to the unfolding of all the intellectual and physical faculties, though it has so far scarcely been noticed, and that is the collocation of the various branches of industry. To-day the subdivision of labor is generally accompanied, not by the collocation but by the disjunction of the various branches of industry, and consequently by the isolation of each of them and the complete isolation of the workers, subjected to such a regime. It is for this reason that in certain coun-

tries one sees whole populations condemned from their birth to the one and only occupation of work in the mines, without the least possibility of choosing another calling. This system of dispersion is absolutely injurious to production, for it does not allow anyone to follow his aptitudes. The worker is induced by the pressure of his environment, to adopt a given trade because there is no other within his reach.

From the purely intellectual point of view, this system is disastrous It exaggerates the analytic spirit at the expense of the synthetic, as our great philosophers have clearly pointed out. This baneful tendency towards the dispersion of industry is, no doubt, the result of the appropriation of the soil by a minority and the enslavement of the working masses. By levying tribute upon labor, the masters have divorced production from consumption, the markets from the sources of supply. Under these conditions society is divided into two classes, on the one hand the workers, on the other those who enjoy life without working. Harrowing toil is the lot of one portion of mankind, pleasant occupations the lot of another. The one consumes without producing; the other produces without consuming more than is strictly necessary for the working of the human machine. Such is the division of labor accompanied by the dispersion of industry. It is simply monstrous.

Land reform would replace this mischievous dispersion by the grouping of the special processes. Dispersion is the effect of tribute; it dwarfs the mental faculties and tends to keep wages down. Concentration is the result of independence, and this may be seen even at the present day. As soon as a nation has taken part in international trade, she attempts to make herself independent of the others by producing herself what she formerly ordered from abroad. All nations give proof of their aptitude for economic production of every kind. Our exporters feel this, for they complain bitterly of the ever-growing competition which they encounter in foreign markets. Our manufacturers find everywhere new competitors.

Now, what is already manifest between nations will show itself later with much greater force between provinces, districts, and villages, when once they have become independent by possession of the soil. The advantages presented by the concentration of industry have already been appreciated by certain great manufacturers who have brought together in their establishments all the different branches of work so as to have at hand all the supplies necessary for the main manufacture. It is in the concentration of industry that the advantages of the big shops are best shown, people preferring to go to them because they are almost certain to find everything they want. Now what the big shops do could be done for production in each

locality. All that is necessary is that there should be fair conditions.

Collocation of special processes is the logical and natural complement of the subdivision of labor; whilst dispersion is nothing but dislocation. Concentration reconstitutes the human unity that dispersion destroys. By grouping the scattered members are united, by dispersion members meant to remain united are disjoined. A complete being unites in himself all functions and all specialties. Division of labor should not lead to the destruction of unity, but to the reconstitution of the integrity of thought. Grouping of industry does not in any way stop the further progress of the division of labor; it only stops the increase of dissociation and the lowering of the faculties.

The law of the division of labor has then different applications according as the worker is independent or is not. When the Single Tax on the unimproved value of the land has destroyed the omnipotence of the landowner, the workers will be masters of production and free to profit by the advantages of the division of labor, as well as from the not less important advantages of the grouping of industry. And thus life will be complete in every part of the planet. The more one studies the effects of land reform through the Single Tax, the more one realizes that this reform is complete and satisfies all the interests as well as all the needs of the mind, all the rights of the

individual as well as those of society. By this reform we shall be able to enjoy a real Free Trade, instead of the lie which is held out to us by the orthodox economists.

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